Case Number **Investigative Activity Report** 0506-0026 Case Title: Reporting Office: b)(6), (b) Enterprises Inc. Detroit, MI, Resident Office Subject of Report: **Activity Date:** Interview of (b)(6), (b) (7)(C), Deputy Director, DWSD July 10, 2012 **Approving Official and Date:** Reporting Official and Date: b)(6), (b) (7)(C) Carol A. (b)(6), (b) (7) Special Agent in Charge Acting Assistant Special Agent in Charge 28-AUG-2012, Approved by 1(b)(6), (b) 25-AUG-2012, Signed by Carol A. (b) (6) Special Agent in Charge SYNOPSIS On July 10, 2012, U.S. EPA CID Special Agent (SA) (b)(6), (b) (7)(C) interviewed (b)(6), Deputy Director, Detroit Water & Sewerage Department (DWSD) regarding Certain contracts awarded during the (b)(6), (b) (7)(C) Mayoral Administration. (b)(6), has been interviewed previously by SA (b)(6), (b) (7) and FBI SA (b)(6), (b) (7)(C) Before being promoted to Deputy Director (b)(6). was the Manager of the Contracts and Grants group at the DWSD. b) (7) DETAILS On July 10, 2012, U.S. EPA CID Special Agent (SA) (b)(6), (b) (7)(C) interviewed (b)(6), Deputy Director, Detroit Water & Sewerage Department (DWSD) regarding Certain

Deputy Director, Detroit Water & Sewerage Department (DWSD) regarding effain contracts awarded during the (b)(6), (b) (7)(C) Mayoral Administration. (b)(6). has been interviewed previously by SA (b)(6), (b) (7)(C) Before being promoted to Deputy Director (b)(6). was the Manager of the Contracts and Grants group at the DWSD. Also present during the interview was Assistant U.S. Attorney (AUSA) Jennifer Blackwell. (b)(6), provided the following information:

CM 2007 Automated Water Meters contract was originally put out under the (b)(6), (b) (7) Mayoral Administration and when (b)(6), (b) (7) was the DWSD Director. (b)(6), (b) (7) was the Contracts and Grants manager when the original contract was put out for bid. ABB was the contractor which was to be awarded the contract but DWSD staff could not agree on what type of system to use. The members of the evaluation committee wanted to go forward with a fixed base system, meaning that the readings were remotely taken and sent to the DWSD via radio tower. The Director and Deputy Director wanted to sue a drive by system, where a DWSD employee would drive down the street and a system in the vehicle would receive readings from the residential units. The impetus behind putting this contract out for bid was that the existing meters needed to be replaced given their age; were not recording properly and thus were costing the DWSD money in missed readings.

In 2003 when (b)(6), was the Contracts and Grants manager the request for proposal for the meter contract was replied. The DWSD staff again debated over whether to use the drive by or fixed base system. The decision was made to have the bidders submit proposals for a drive by system but could also submit proposals for a fixed base system.

(b)(6), was shown Addendum #3 for the 2003 RFP. (b)(6), explained that addendums are generally issued to answer prospective proposer's questions and provide clarification on issues contained in the RFP. Either (b)(6), tells (c) staff to issue an addendum in response to questions (d) (7)

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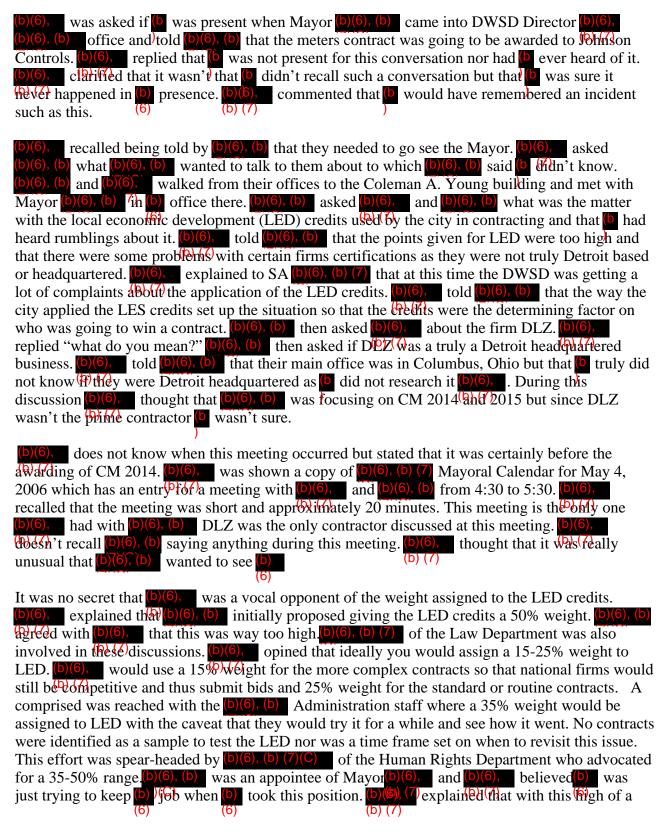
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and inquires by the proposers or vice versa.



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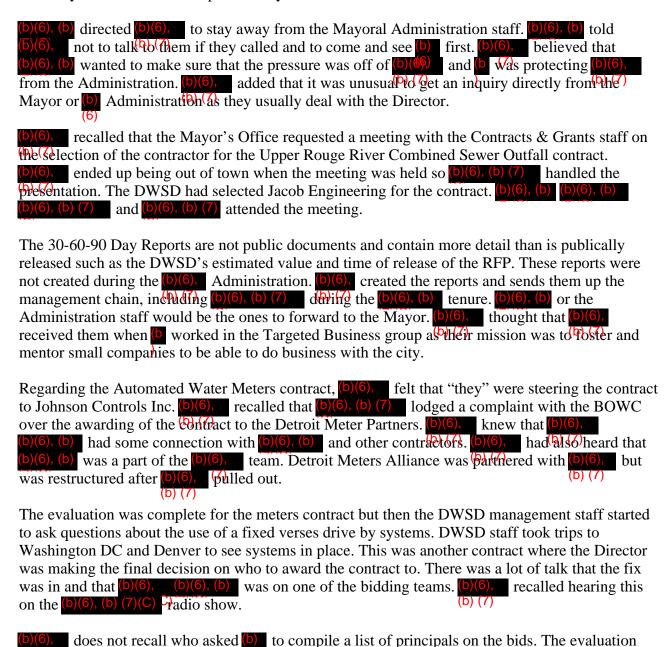
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weight given to the LED if a company didn't have a Detroit Headquartered Business Certification than they could not even compete for any DWSD contracts.



was shown an email written by (b)(6), (b) (7)(C) regarding the removal of the purchase of replacement meters from a contract. (b)(6), explained that as advertised the contract would have a contractor purchasing the meters and then marking them up thus it was cheaper for the department direct a different contractor to purchase the meters using a cash allowance. Contractors are not allowed to take a mark up on a cash allowance thus the department saved

metho was written on November 10,2005. (b)(6), explained that the memo was written at this time because they had concluded negotiations with the two main bidders, DMP and (b)(6), (b)

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money.

DWSD did not have the man power to perform the water turns offs so it was decided to have a sub contractor on the meters contract do this. The DWSD sent notices to home owners of the need to replace their meters but even after sending five to seven of them would get no response. (b)(6), commented that this should have been including in the RFP and proposals.

(b)(6), suggested that SA (b)(6), (b) (7) talk to (b)(6), (b) (7) regarding an investigation (b) Conducted into allegations that FEI did not pay prevailing wages to their employees on the DWSD contracts as is required. (b)(6), thought that one employee was owed \$70,000 in back pay by FEI. If the DWSD finds that Profitractor has failed to pay employees prevailing wages they hold payment to that contractor until the pay dispute was resolved. (b)(6), said (b) was sure that one of the contracts for which FEI did not pay some employees prevailing wages was WS 623 and perhaps others. (b)(6), (b) came in with an attorney to dispute the results of the investigation. The DWSD told (b)(6), (b) to prove that (b) had paid (b) employees the appropriate wages, but (b) couldn't, so the department held FEI's payments. The occurred near the end of the (b)(6), (b) Administration. (b)(6), recalled that (b)(6), (b) was upset with the department over this. (b)(6), (b) told (b)(6), that (b)(6), (b) ran (b) out of business.

Regarding a text message sent by (b)(6), (b) to (b)(6), (b) saying that they should have (b)(6), "tweak" a contract so that they would know who is in power, (b)(6), commented it with "unusual." SA (b)(6), (b) (7) explained that an addendum to a RFP was is the d'shortly after this text message. (b)(6) replied that addendums are not really a "tweak" but just responses to bidder's questions and providing clarifications.

(b)(6), explained that all DWSD employees are directed not to have communication with bidders and provide only public answers to the bidders, and this is supposed to be done through the Contracts & Grants office. Any contact regarding a project should be put in writing. (b)(6), believes that (b)(6), (b) should not have been meeting with bidders nor having any forth) of communication with them. (b)(6), is not aware of any reason for (b)(6), (b) (7)(C) to have met with bidders for a contract either (b)(6). added that no one outside of the DWSD should have had contact with bidders and that most mayors keep an arms length between themselves and contractors.

(b)(6), had heard that there was an incident between (b)(6), (b) of (b)(6), and (b)(6), (b) Afterwards (b)(6), was the low bidder on a contract but the Contracts & Grants staff were told by (b)(6), (b) to (b)(6), (b) told this to (b)(6), directly. The initial contract was cancelled and put back out to bid. (b)(6), (b) (7)(C) was the manager of the engineering group over this contract.

Regarding an email from October 4, 2002, in which a list of open contracts was sent by (b)(6). (b)(6), (b) (b)(6), commented that it was unusual for the Mayor's Office to want to know every open contract. (b)(6), is not aware of any prior or subsequent Mayor asking for this.

On occasion (b)(6), called (b)(6), to ask the status of a contract, whether it was being evaluated, etc. (b)(6). Rever felt that these calls were appropriate. (b) (7)

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SA (b)(6), (b) (7) informed (b)(6), that (b)(6), (b) sent a text message saying that (b) needed to meet with (b) and that the message contained (b)(6), (b) office number. (b)(6), does not recall this specific instance but explained that (b)(6), (b) did call from time to think but (b) was not asked about anything unusual.

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